THE LEGISLATIVE ASSEMBLY OF
BRITISH COLUMBIA

Annual Review of the Budgets of the Independent Offices of the Legislative Assembly

Select Standing Committee on
Finance and Government Services

Third Report
Fourth Session, Thirty-Eighth Parliament

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December 18, 2008

To the Honourable
Legislative Assembly of the
Province of British Columbia

Honourable Members:

I have the honour to present herewith the Third Report of the Select Standing Committee on Finance and Government Services for the fourth session of the 38th Parliament.

This Report covers the work of the Committee related to budgetary matters affecting the independent offices of the Legislative Assembly.

Respectfully submitted on behalf of the Committee,

Randy Hawes, MLA
Chair

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COMPOSITION OF THE COMMITTEE

MEMBERS

Randy Hawes, MLA	Chair	Maple Ridge-Mission
Bruce Ralston, MLA	Deputy Chair	Surrey-Whalley
Robin Austin, MLA		Skeena
Hon. Bill Bennett, MLA (to August 17, 2008)		East Kootenay
Hon. Iain Black, MLA (to August 17, 2008)		Port Moody-Westwood
Harry Bloy, MLA		Burquitlam
Dave S. Hayer, MLA		Surrey-Tynehead
John Horgan, MLA		Malahat-Juan de Fuca
Richard T. Lee, MLA		Burnaby North
John Rustad, MLA (from August 17, 2008)		Prince George-Omineca
Diane Thorne, MLA		Coquitlam-Maillardville
John Yap, MLA (from August 17, 2008)		Richmond-Steveston

CLERKS TO THE COMMITTEE

Craig James, Clerk Assistant and Clerk of Committees

Kate Ryan-Lloyd, Clerk Assistant and Committee Clerk

COMMITTEE RESEARCHERS

Josie Schofield, Committee Research Analyst

Erin Bett, Committee Researcher

Kathryn Butler, Committee Researcher

TERMS OF REFERENCE

On March 4, 2008, the Legislative Assembly agreed that the Select Standing Committee on Finance and Government Services be empowered:

2 a.) To consider and make recommendations on the annual reports, rolling three-year service plans and budgets of the following statutory officers:

i) Auditor General

ii) Chief Electoral Officer

iii) Conflict of Interest Commissioner

iv) Information and Privacy Commissioner

v) Merit Commissioner

vi) Ombudsman

vii) Police Complaint Commissioner

viii) Representative for Children and Youth; and,

b) To examine, inquire into and make recommendations with respect to other matters brought to the Committee's attention by any of the Officers listed in 2(a) above.

3. That the Select Standing Committee on Finance and Government Services be the committee referred to in sections 19, 20, 21 and 23 of the Auditor General Act and that the performance report in section 22 of the Auditor General Act be referred to the committee.

In addition to the powers previously conferred upon the Select Standing Committee on Finance and Government Services, the Committee shall be empowered:

(a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;

(b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;

(c) to adjourn from place to place as may be convenient; and

(d) to retain personnel as required to assist the Committee,

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

COMMITTEE PROCESS

During the fourth session of the 38th Parliament, the Select Standing Committee on Finance and Government Services (Finance Committee) held seven meetings to carry out its work related to the budgets of the independent offices of the Legislative Assembly.

At its organizational meeting on March 5, 2008, the Finance Committee considered and endorsed a request from the Information and Privacy Commissioner for supplementary funding in the amount of $75,000 to meet the unanticipated costs of legal proceedings and matters involving his office during 2007/08. This recommendation was the basis of our First Report, which was accepted by the House on March 13, 2008.

On October 29, 2008, the Finance Committee considered a proposal from four independent officers of the Legislature regarding joint leasehold accommodation, which is discussed in the first section of this report.

To conduct its eighth annual review of the budgets of the independent offices of the Legislative Assembly, the Finance Committee held four public meetings in Victoria on November 25 and 26, and December 1 and 3, 2008. Deliberations on the report's content and recommendations took place on December 3 and 8, 2008.

SCHEDULE OF MEETINGS RE OFFICES' BUDGETS

November 25, 2008	Police Complaint Commissioner
November 26, 2008	Conflict of Interest Commissioner
December 1, 2008	Ombudsman Chief Electoral Officer Auditor General Merit Commissioner
December 3, 2008	Information and Privacy Commissioner Representative for Children and Youth Deliberations
December 8, 2008	Deliberations

Minutes and transcripts of the Finance Committee's public meetings, as well as an electronic copy of this report, are available through the parliamentary committees' website at: www.leg.bc.ca/cmt/.

JOINT LEASEHOLD ACCOMMODATION PROPOSAL

"For shared services to work effectively and thus reduce overall operating costs for our offices, administrative employees must be readily accessible to all of us, for accounting, IT support, personnel management, and other daily administrative tasks. Fragmentation of staff across different locations works against these efficiencies. Ongoing sharing of space is indispensable to the effective sharing of services." (Officers' Lease Proposal, p. 2)

BACKGROUND

The Select Standing Committee on Finance and Government Services (Finance Committee) conducted its first annual review of the budgets of independent offices in the fall of 2001. In its December 2001 report, the Finance Committee recommended that consolidation of office space should be a priority for the former Child and Youth Family Advocate, the Information and Privacy Commissioner, the Ombudsman, and the Police Complaint Commissioner. The Finance Committee also proposed that the-then seven independent offices all consider implementing a common set of shared services and management, and three offices chose this option.

The Ombudsman, the Information and Privacy Commissioner and the Police Complaint Commissioner have shared accounting, IT support and personnel management services since 2002, and office space at 756 Fort Street in Victoria since 2005. The Merit Commissioner joined the arrangement in 2007.

LEASE PROPOSAL

The Chair and Deputy Chair met with the four officers on October 3 for a briefing on the joint leasehold accommodation proposal (Lease Proposal) and decided to refer the matter for consideration by the entire committee. On October 29, 2008, the Finance Committee considered the Lease Proposal, which was presented by: Kim Carter, Ombudsman; Bruce Brown, Deputy Police Complaint Commissioner; Joy Illington, Merit Commissioner; and David Loukidelis, Information and Privacy Commissioner. Lanny Hubbard, Director of Corporate Services also attended the meeting.

The Finance Committee learned that by sharing office space and services, each officer has achieved considerable cost savings, significantly reducing individual budget requirements. However, there is no longer enough room in their current accommodation, owing primarily to modest staff growth and the addition of the Office of the Merit Commissioner to the shared-services arrangement. As a result, additional space has had to be leased in three nearby buildings just to meet current requirements, and this arrangement creates inefficiencies in the operation of their offices and in the delivery of shared services.

An assessment of current needs and projection of future space requirements have led to the conclusion that different space must be found for the four offices to occupy jointly in order to maximize the efficient use of leased space and the efficiency of operations. The proposed new lease arrangement will enable the four offices to continue the prudent and cost-effective sharing of space and services for ten to 15 years. Without such an arrangement, the alternative would be to secure separate space for each office, which would materially increase the overall costs to taxpayers.

Since there are no suitable government buildings currently available in Victoria, the four officers looked at commercial buildings that could be ready for 2010. Earlier this year, they retained as their advisor a respected commercial real estate firm, DTZ Barnicke Ltd.; and in June, they issued a public request for competitive proposals. Only four qualifying proposals were received and, with the firm's advice, they selected a preferred proponent.

The four officers are now at the stage where they must negotiate and sign a binding agreement to lease, to begin in 2010. This is necessary so the landlord can finalize financing and proceed to have the new premises ready for occupancy by April 1, 2010. The existing lease at 756 Fort Street expires March 31, 2010 and the officers are negotiating a six-month extension in case there are delays relating to the move.

The officers' Lease Proposal contains tables showing: the current gross rent for all four offices ($658,640 annually) and the projected increase in existing base rent (from $13.42 to $22 per square foot in 2010/11); projected rental costs for the space under negotiation ($1.87 million annually, years 1-5); and the estimated costs of each office leasing "stand-alone" space with duplicate facilities ($1.883 to $1.953 million annually, years 1-5). The rent under negotiation reflects LEED Gold design and construction costs to be consistent with the requirement that all new or leased provincial government buildings meet LEED Gold or equivalent green standards.

The actual budget impact of the Lease Proposal will not begin until the 2010/11 fiscal year. The relevant figures will be included in years 2 and 3 of the officers' rolling three-year budget submissions to be tabled with the Finance Committee later in the fall. These figures include the operating funds for gross rent plus capital funding of $2 million for the required tenant improvements, to be repaid over the first five years as amortization in each office's operating budget.

Committee Inquiry

At the October 29 meeting, Members sought clarification on various aspects of the Lease Proposal:

- The commercial office-space market in downtown Victoria and suburban areas
- Options regarding use of surplus office space in the new building arising from the increase in total square footage (from 21,500 to 33,000 square feet)
- Officers' estimates of "modest" staff growth over the life cycle of the 15-year lease
- Repayment of tenant improvement costs
- Variable base rents over the life of the lease ($31 per square foot, Years 1-5; $34.50 per square foot, Years 6-10; $36.50, Years 11-15)
- Classification of new office space as Class B/Class C

Committee Decision

In view of the "Joint Leasehold Accommodation Proposal" ("Lease Proposal") dated and presented October 29, 2008, the Select Standing Committee on Finance and Government Services approves execution by the Ombudsman, the Police Complaint Commissioner, the Merit Commissioner and the Information and Privacy Commissioner (collectively, "Officers") of a binding agreement to lease the newly-constructed premises described in the Lease Proposal: (a) for a term of 15 years, with the lease commencing during fiscal year 2010/11; (b) with rents and capital costs materially as set out in the Lease Proposal.

Shared Services

During the annual review of the legislative offices' budgets, the Finance Committee learned that the Ombudsman, Police Complaint Commissioner, Information and Privacy Commissioner and the Merit Commissioner were proposing a reallocation of the costs of sharing services starting in 2009/10, which would

be revenue-neutral for the provincial treasury. The impact of this new shared-services cost distribution is discussed later in the report in the context of reviewing the Office of the Ombudsman's budget submission (see pages 15 and 16).

OFFICE OF THE AUDITOR GENERAL

"In essence, the funding request for this coming year is last year's approved funding proposal updated for inflation and known cost changes." (John Doyle, Auditor General)

BACKGROUND

The Office of the Auditor General (OAG) serves the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources. Vote 2 of the annual *Estimates* provides for the office's operating expense and capital expenditures. Last year, the Finance Committee recommended that the OAG operating budget for 2008/09 be increased to $15.25 million (including an estimated $2.4 million in external recoveries), and be set at $16 million in 2009/10 and $16.52 million in 2010/11 for financial planning purposes.

2009/10 ESTIMATE OF RESOURCES

On December 1, 2008, the Finance Committee met to review the office's estimate of resources for 2009/10. Representing the OAG were John Doyle, Auditor General; Michael Macdonell, Director, Corporate Planning, Reporting and Communication; and Christine Davison, Director, Finance, Administration and Systems.

The Auditor General explained that the office's estimate is an extension of last year's plan, with one minor exception. For next year, he estimated an overall operating budget of $16.30 million would be required. This included a $750,000 increase over 2008/09, comprising: $500,000 for planned wage increases, earned increments and 2% inflation; $450,000 for additional audit staff, as planned; $100,000 to augment professional training; and offset by a reduction of $300,000 in the use of contractors. Plus, an additional $300,000 was proposed for the accelerated hire of four FTEs, which was not part of last year's plan. The office was also seeking an increase in its capital budget next year (from $150,000 to $250,000).

Turning to the challenges facing the office, the Auditor General identified succession planning as a priority, due to the retirement of a large proportion of senior staff over the next few years. Another challenge is the integration of changes in auditing standards.

The Auditor General concluded his presentation with a review of services. He explained that the OAG estimate of resources for 2009/10 focuses on the delivery of financial statement audits (representing two-thirds of the workload), leaving the balance for performance audits and public sector governance audits.

COMMITTEE INQUIRY

The committee inquiry focused on the staffing challenge facing the office and the office's operating budget. Members also requested clarification on the costs of centrally negotiated pay raises (around $40,000) and the impact of the transition from Canadian GAAP to international accounting standards.

Staffing Challenge

Committee members asked how the recent downturn in the global financial markets and the economic slowdown in Canada would impact recruitment. In response, the Auditor General explained that talented individuals who can be trained quickly to become financial statement auditors are typically a group in great demand during a recession. Also, the recruitment of senior staff still poses a challenge to be met through internal professional training.

Operating Budget

Some committee members expressed concern that even a modest increase in the office's operating budget may not be feasible in view of the exceptional fiscal situation facing the province. They asked the Auditor General how the office would cope next year with a "hold-the-line" budget. The Auditor stated that staff would no longer be able to carry out the financial statement audits of 25 public sector organizations identified in the work plan, which was approved by the Select Standing Committee on Public Accounts on November 19, 2008. Therefore the direct audits of these organizations would have to be done by private sector accounting firms, so there would be no cost savings to the public purse.

In a follow-up question, the Auditor General was asked whether discretionary audits could be delayed or even cancelled next year, if necessary. The Auditor informed Members that fiscal constraints would result in even fewer discretionary audits, which currently comprise one-third of the workload.

Finally, the Chair of the Finance Committee requested an update on the new funding model, whereby the Ministry of Finance bills government organizations directly to recover the cost of financial statement audit work undertaken by the OAG — an innovation approved last year to maintain the office's independence. In response, the Auditor General anticipated that the provincial treasury would recover $1.7 million in fees during the current fiscal year.

Conclusions and Recommendations

In view of the exceptional financial situation, the Finance Committee thinks it is inappropriate to recommend any additional resources for the Office of the Auditor General above and beyond the mandated increases of 2.5 percent in salaries and benefits year over year. We are confident that prudent management of discretionary expenses next year will enable the office to carry out its audit mandate within the current fiscal environment.

As the new funding model has been implemented in 2008/09, the Committee thinks it is no longer necessary to approve the basis on which the Auditor General may charge fees, pursuant to section 20 of the *Auditor General Act*.

The Finance Committee recommends that:

- **the annual budget for the operating expense of the Office of the Auditor General be increased to $15,536,000 (including an estimated $1.7 million in recoveries) for the 2009/10 fiscal year;**
- **the Office's annual budget be set at $15,536,000 in 2010/11 and in 2011/12 for financial planning purposes;**
- **the Office of the Auditor General receive capital expenditures of $250,000 in each of the next three fiscal years.**

OFFICE OF THE CONFLICT OF INTEREST COMMISSIONER

"The proposed budget contemplates that our staffing resources and information technology will continue to be enhanced, so that our ability to respond to both confidential and public requests in a timely way will be increased." (Paul Fraser, QC, Conflict of Interest Commissioner)

BACKGROUND

The Office of the Conflict of Interest Commissioner is responsible for assisting Members of the Legislative Assembly and Cabinet Ministers in reconciling their private interests and public duties so as to act with integrity and impartiality. Vote 3 of the annual *Estimates* provides for the operating expense of the office. Last year, the Finance Committee set the annual operating budget at $384,000 for the next three fiscal years.

BUDGET PROPOSAL, FISCAL 2010-2012

On November 26, 2008, the Finance Committee met to review the office's budget proposal for the next three fiscal years. Representing the office was Paul Fraser, QC, Conflict of Interest Commissioner, who was appointed in January 2008.

The Conflict of Interest Commissioner began his presentation by informing the Finance Committee of an expected shortfall of $21,000 in the office's current budget. This shortfall is related to the decision made by the Finance Committee last year to increase the Commissioner's salary from 0.5 to 0.75 FTE and to offer him the same benefits package available to other statutory officers. The Commissioner reported that the increase has not been sufficient to cover the actual cost of his salary and benefits, and the gap is $21,000.

Next, the Commissioner described the budgetary implications of the changes in the office's operations since he assumed the position in January 2008. Establishing or enhancing information systems have required capital expenditures to acquire equipment and services. This year, a new satellite office has been established in Surrey, which is linked electronically to the main Victoria office. It will provide easier access for MLAs and help manage travel expense costs; and the start-up costs amount to $15,000.

As a result of the new office and the salary gap, discussed above, the Conflict of Interest Commissioner reported that for the current fiscal year, the office may exceed its budget by $36,000. For the next three years, the Commissioner requested an annual budget allocation of $440,000, representing a $54,000 increase (or a 14% lift) in order to enable the office to cover mandated salary increases for the Commissioner and his staff, and to finish the upgrading of the information systems.

COMMITTEE INQUIRY

The committee inquiry focused on the office's anticipated budget shortfall and the establishment of the satellite office in Surrey.

Budget Shortfall

Members inquired about the procedure involved to remedy a shortfall in an independent office's operating budget. The Clerk to the Committee clarified the situation by explaining that the Finance Committee could choose to recommend to the House that the overrun be approved. If accepted, a supplementary estimate could be introduced in the next session, prior to the end of the fiscal year (March 31, 2009).

Satellite Office

Another theme of the committee inquiry was the Conflict of Interest Commissioner's business decision to establish a satellite office in Surrey without informing the Finance Committee in advance. The Chair explained that the Finance Committee takes its oversight role very seriously and therefore expects, as part of its mandate, to be apprised of budgetary matters affecting each independent office.

In response, the Commissioner acknowledged that with hindsight, he should have informed the Committee. While the start-up costs ($15,000) have not been recouped yet, he did believe that the office would be cost-effective in the future by reducing travel expense costs.

CONCLUSIONS AND RECOMMENDATIONS

The Finance Committee recognizes that the Office of the Conflict of Interest Commissioner is undergoing a transition during the current fiscal year. To deal with the anticipated shortfall in the operating budget, we encourage the Commissioner to approach the Committee once the actual amount is known.

Regarding next year's budget, the Committee considers the request for an additional $56,000 to be reasonable in the current circumstances. In line with other offices, this increase will cover the non-discretionary increases in salaries and benefits and will also enable the office upgrading to be completed.

The Finance Committee recommends that:

- **the annual appropriation for the operating expense of the Office of the Conflict of Interest Commissioner be increased to $440,000 in each of the next three fiscal years.**

ELECTIONS BC

"There's a great deal of critical work to be done in the coming fiscal year, and the administrative success of the scheduled provincial general election and the second referendum on electoral reform depends heavily on having adequate financial resources to properly meet the challenge my office is mandated to fulfil." (Harry Neufeld, Chief Electoral Officer)

BACKGROUND

Elections BC is an independent, non-partisan office of the Legislative Assembly responsible for conducting provincial general elections, by-elections, referenda, initiative petitions and recall campaigns, as detailed in provincial legislation. The appropriation for the office's operating expense and capital expenditures is provided for in Vote 4 of the annual *Estimates.*

Last year, the Finance Committee recommended that the total budget for the operating expense of the office be $18.823 million in 2008/09, with $7.659 million allocated for ongoing costs and $11.164 million for event-related funding. For financial planning purposes, the Committee anticipated that the budget for ongoing operating costs would be $8.927 million in 2009/10 and $8.678 million in 2010/11. Regarding capital expenditures, the Committee recommended $304,000 for 2008/09, with planned increases to $1.393 million in 2009/10 and $5.25 million in 2010/2011.

BUDGET PROPOSAL, 2009/10 – 2011/12

On December 1, 2008, the Finance Committee met to review Elections BC's budget proposal for the next three fiscal years. Representing the office were Harry Neufeld, Chief Electoral Officer; Linda Johnson, Deputy Chief Electoral Officer; Nola Western, Director, Electoral Finance and Corporate Administration; and Anton Boegman, Director, Corporate Planning and Event Management.

The Chief Electoral Officer began the presentation by providing an overview of the three separate components of the budget proposal for 2009/10: the annual budget for ongoing costs ($8.711 million), the annual capital budget ($2.86 million), and next year's electoral events budget ($33.687 million).

The Director of Electoral Finance then explained that for 2009/10, Elections BC was requesting a 14 percent increase in its ongoing operating budget to cover mandated increases in salaries and benefits ($94,000) and other cost drivers. The increase of $745,000 for corporate information systems included maintenance of the electoral information system. Funding for two additional FTEs was also requested.

Regarding 2009/10 event-related funding requirements, the Director of Electoral Finance reported that $32.224 million will be required to plan, prepare and conduct the provincial general election, scheduled for May 12, 2009. For the 2009 referendum on electoral reform, the request for $851,000 included $130,000 of the $1 million already committed to fund proponent and opponent groups. As well, $568,000 would be required to prepare and conduct an enumeration of eligible voters, via a province-wide mailing, plus $44,000 for electoral boundary redistribution.

The Director of Electoral Finance then outlined the funding request for capital assets, explaining that the office can no longer defer the replacement of the electoral information system, and that the new system needs to be in place by 2011 so it can be tested prior to the 2013 election. She estimated the capital expenditures to be $2.86 million in 2009/10, $6.279 million in 2010/11 and $3.5 million in 2011/12.

Finally, the Chief Electoral Officer requested that the Finance Committee recommend to the Legislative Assembly that Elections BC be granted access to the contingency vote for $995,000 to cover the costs of administering the two Vancouver by-elections, which took place on October 29, 2008.

Committee Inquiry

The committee inquiry focused on the three components of the budget proposal: the ongoing operating costs, the event-related funding requirements, and the proposed capital expenditures.

Ongoing Operating Costs

Some committee members expressed concern that even a modest increase in the office's operating budget may not be feasible in view of the exceptional fiscal situation facing the province. They asked the Chief Electoral Officer how the office would cope next year with a "hold-the-line" budget. In response, he explained that the 14 percent lift was based on fixed costs and so there was not a lot of flexibility, but it may be possible to squeeze a seventh year out of the office's existing desktop hardware and software.

Event-Related Funding Requirements

Members asked how projected costs for the upcoming 2009 provincial election and second referendum on electoral reform compared with the costs of the 2005 general election and the first referendum. The Director of Corporate Planning reported that the 2009 election will cost an additional $15.2 million (or a 65% lift), due to the electoral boundary redistribution and administrative costs related to *Election Act* amendments. Members also inquired about the funding for the 2009 referendum and enumeration.

Capital Expenditures

Another line of inquiry focused on the significant increases in capital expenditures proposed for the next two fiscal years: $2.765 million in 2009/10 and $5.304 million in 2010/11. Members were informed that the replacement of the mainframe/mini computer hardware and software is a top priority for the office.

Conclusions and Recommendations

In view of the exceptional financial situation, the Finance Committee thinks it is inappropriate to recommend any increase in the portion of the Elections BC operating budget relating to ongoing expenses above and beyond the mandated increases of 2.5 percent in salaries and benefits year over year.

In regard to event-related funding requirements for 2009/10, the Finance Committee recognizes that adequate resources need to be provided to enable British Columbians to participate in the electoral process, the foundation of our parliamentary democracy. We are confident that Elections BC staff will use their expertise and resourcefulness to ensure that the event-related funding is spent efficiently. Given the electoral cycle, we also recognize the need for additional capital expenditures next year to ensure that a new electoral information system is in place for the 2013 provincial general election.

The Finance Committee recommends that:

- **Elections BC be granted access to Vote 45 – Contingencies for the $995,000 necessary to administer the provincial by-elections in Vancouver-Fairview and Vancouver-Burrard, which took place on October 29, 2008;**
- **the total budget for the operating expense of Elections BC be $41,440,000 in 2009/10, with $7,753,000 allocated for ongoing costs and $33,687,000 for event-related funding;**

- **Elections BC's budget for ongoing operating expense be set at $7,753,000 in 2010/11 and in 2011/12 for financial planning purposes;**
- **the capital expenditures for Elections BC be increased to $2,860,000 in 2009/10 and set at $2,860,000 in 2010/11 and 2011/12 for financial planning purposes.**

OFFICE OF THE INFORMATION AND PRIVACY COMMISSIONER

"Candidly, the current fiscal environment certainly concentrated my mind on what it was that I was going to come forward and ask for. If we were in different times, I think I would have asked for essentially the same budget." (David Loukidelis, Information and Privacy Commissioner)

BACKGROUND

The independent Office of the Information and Privacy Commissioner (OIPC) monitors and enforces the *Freedom of Information and Protection of Privacy Act* (FIPPA), the *Personal Information Protection Act* (PIPA) and the *Lobbyists Registration Act*. The Office has a staff complement of 24 FTEs.

The appropriation for the office's operating expense and capital expenditures is provided for in Vote 5 of the annual *Estimates*. Last year, the Finance Committee recommended that the OIPC operating budget be $3.603 million in 2008/09 and $3.453 million in each of the next two fiscal years. The Committee also set the capital budget at $60,000 in 2008/09 and $45,000 in each of the next two fiscal years.

BUDGET PROPOSAL, 2009-2010 THROUGH 2011-2012

The Finance Committee met on December 3, 2008 to review the OIPC budget proposal for the next three fiscal years. Representing the Office were David Loukidelis, Information and Privacy Commissioner; Mary Carlson, Executive Director; and Lanny Hubbard, Director of Corporate Services.

The Information and Privacy Commissioner asked the Finance Committee to consider approving an operating budget of $4.007 million and a capital budget of $45,000 for 2009/10. The proposed $404,000 increase (or a 9% lift) includes $153,000, the amount charged under the new shared-services arrangement with the Office of the Ombudsman (discussed on pages 15 and 16), and mandated increases in salaries and benefits ($66,500). A request for two additional FTEs was also included in the budget proposal.

The Information and Privacy Commissioner then highlighted a few key features of the office's operations during this fiscal year. Since April 1, 2008, 1,317 files have been opened — under FIPPA and PIPA — and the caseload will likely reach just over 2,100 by the end of this fiscal year. For the fourth year in a row the Commissioner expected to report a backlog of cases, which reflects the fact that the office continues not to meet statutory timelines regarding aspects of its oversight work.

Next, the Information and Privacy Commissioner informed the Finance Committee that the demands of his role as Registrar of Lobbyists were almost certain to escalate with enactment of enforcement powers under the new lobbyists registration legislation the government has said it will introduce next spring.

COMMITTEE INQUIRY

The committee inquiry focused on the office's work related to the *Lobbyists Registration Act* and the operating budget. Members also asked for clarification on: STOB 60 (Contract Services).

Lobbyists Registration Act Amendments

Members inquired about the Commissioner's powers under the existing *Lobbyists Registration Act*. In response, the Information and Privacy Commissioner explained that currently his office simply administers the program. As registrar of lobbyists, his powers are limited to verifying information submitted in connection with a registration application.

In a follow-up question, the Information and Privacy Commissioner was asked to update the Finance Committee on the redesign of the lobbyist registry system, which the office received funding for this year. He reported that the contractor has been selected and work is now underway to allow the office to properly administer and monitor activity under the Act.

On a related matter, the Information and Privacy Commissioner was asked if he can comment on proposed changes to legislation when asked by the government to do so. The Commissioner explained that the FIPPA mandate includes explicit authority to comment on the implications for access or privacy of proposed programs, policies or legislative schemes. His office is quite regularly consulted by government ministries on proposed legislation at various stages. While this is quite time-consuming, it is important to try and address issues relating to privacy and access before, rather than after, the fact.

Operating Budget

Some committee members expressed concern that even a modest increase in the office's operating budget may not be feasible in view of the exceptional fiscal situation facing the province. They asked the Information and Privacy Commissioner how the office would cope next year with a "hold-the-line" budget. In response, the Commissioner stated that the most obvious, immediate consequence would be that the office would continue to not provide timely service in terms of the reasonable expectations of the public and of government. Therefore staff would not be in a position to meet, with any consistency, the statutory requirements in terms of responding within the stipulated timelines.

CONCLUSIONS AND RECOMMENDATIONS

In view of the exceptional financial situation, the Finance Committee thinks it is inappropriate to recommend any additional resources for the Office of the Information and Privacy Commissioner above and beyond the mandated increases of 2.5 percent in salaries and benefits year over year and the higher charges for shared services with the Office of the Ombudsman.

At the same time, we do not rule out the option of reconsidering in the future the request for additional staff to assist the office with the increased workload resulting from enactment of enforcement powers under new lobbyists' registration legislation. Therefore we encourage the Information and Privacy Commissioner to come back to the Finance Committee with a request for additional resources to deal with the legislative changes, once these are implemented and their budgetary implications analyzed.

The Finance Committee recommends that:

- **the annual appropriation for the operating expense of the Office of the Information and Privacy Commissioner be increased to $3,822,000 in 2009/10;**
- **the Office's annual operating budget be set at $3,822,000 in 2010/11 and in 2011/12 for financial planning purposes;**
- **the Office of the Information and Privacy Commissioner receive capital expenditures of $45,000 in 2009/10; $791,000 in 2010/11; and $45,000 in 2011/12.**

OFFICE OF THE MERIT COMMISSIONER

"With the budget I have requested, I can continue to implement the priorities that I have outlined as necessary for this office to provide insight as well as independent oversight of merit-based staffing in the B.C. Public Service." (Joy Illington, Merit Commissioner)

BACKGROUND

The mandate of the Office of the Merit Commissioner (OMC) is to provide independent oversight and insight into the performance of merit-based hiring in the B.C. Public Service. The appropriation for the office is provided for in Vote 6 of the annual *Estimates.* Last year, the Finance Committee recommended the annual operating budget be $893,000 in the next three fiscal years, and set its capital budget at $15,000.

BUDGET SUBMISSION, FISCAL 2010 - 2012

The Finance Committee met on December 1, 2008 to review the OMC budget submission for the next three fiscal years. Representing the office were Joy Illington, Merit Commissioner (whose three-year term expires in May 2009); and Lanny Hubbard, Director of Corporate Services.

The Merit Commissioner began her presentation by requesting an increase in next year's operating budget to reflect the revised allocation of shared-services costs with the Office of the Ombudsman (discussed on pages 15 and 16). Her office's share was originally estimated to be $40,000 but was confirmed, via follow-up correspondence, to be in fact $62,000.

Turning to budget details, the Merit Commissioner emphasized that the submission identifies reductions in some projected expenditures for 2009/10 and increases in fixed costs, such as the 2.5 percent lift in salaries and benefits for her four employees. The budget submission also contained other increases in both the operating and capital budgets for fiscal 2011 and 2012 reflecting the shared accommodation costs of the previously approved Lease Proposal.

The Merit Commissioner then provided a brief overview of the office's three lines of business: annual and special audits, independent staffing reviews, and education about the requirement of merit-based staffing. She informed the Finance Committee that the office will pilot a different audit approach in 2009 since the 2007 audit took too long to report out. This new approach will audit randomly selected appointments shortly after the appointments are made to enable the office to complete the audit in a timely manner.

COMMITTEE INQUIRY

The committee inquiry focused on the office's annual audits. Members also asked about the method of appointment used in the Public Service prior to the appointment of an independent Merit Commissioner.

Annual Audits

Committee members asked the Merit Commissioner how much latitude her office has in deciding what percentage of new appointments should be sampled. In response, she explained that there is no statutory requirement. However, the number sampled increased to 10 percent in 2007 so now the results of the audit on merit performance hiring can be extrapolated from the audit sample to the target population, with some confidence.

In response to a follow-up question, the Commissioner reported that 2 percent of the audited appointments were not the result of a merit-based process and her office was addressing this issue.

Conclusions and Recommendations

The Finance Committee approves the "hold-the-line" budget submitted by the Office of the Merit Commissioner, and notes that the modest increase of $62,000 for shared-services costs will in fact be revenue-neutral to the provincial treasury.

Since the Merit Commissioner did not request additional resources to cover the mandated staff salary and benefit increases scheduled for next year, the Committee presumes that this modest expense ($11,200) can be offset by the projected reductions in other line items in the office's budget for 2009/10.

The Finance Committee recommends that:

- **the annual appropriation for the operating expense of the Office of the Merit Commissioner be increased to $955,000 in each of the next three fiscal years;**
- **the Office of the Merit Commissioner receive $15,000 for capital expenditures in 2009/10; $235,000 in 2010/11; and $15,000 in 2011/12.**

OFFICE OF THE OMBUDSMAN

"This budget proposal is presented with careful consideration of the challenges of current fiscal uncertainty and the need for prudence. It reflects the reality that the Office of the Ombudsman is a lean, compact organization which is facing a continuing increase in demand for services." (Kim Carter, Ombudsman)

BACKGROUND

The Office of the Ombudsman has two core business areas: investigation of individual complaints about administrative fairness and general oversight of the administrative actions of over 2,800 public bodies. The appropriation for the office's operating expense and capital expenditures is provided for in Vote 7 of the annual *Estimates*. Last year, the Finance Committee recommended that the annual operating budget be $4.671 million in each of the next three fiscal years, and that annual capital expenditures be $75,000.

BUDGET SUBMISSION, FISCAL 2010 - 2012

On December 1, 2008, the Finance Committee met to review the office's budget submission for the next three fiscal years. Representing the office were Kim Carter, Ombudsman and Lanny Hubbard, Director of Corporate Services.

The Ombudsman began her presentation by noting that the budget was developed with careful consideration for the current economic climate, but the office was facing a continuing increase in demand for its services. She reported that the intakes for 2008/09 are projected to be over 7,400, an increase of more than 15 percent from 2006, the year full services were restored. The Ombudsman then cited a few case summaries from her annual report to illustrate the types of complaints the office receives.

Turning to the details of this year's budget submission, the Ombudsman reported that she was requesting an increase of $299,000 for 2009/10, covering two additional FTEs to focus on senior's issues, as well as an increase in funding for communication, translation and interpretation services.

As part of the office's shared-services mandate, the Ombudsman also requested funding for a temporary position, for a one-year term, to assist the current Director of Corporate Services with the goal of ensuring effective succession planning and an orderly transfer for the administration of the four offices in 2010.

Subsequently, at the December 3 meeting, the Director of Corporate Services for the four independent offices that share support services was asked by the Finance Committee to provide a summary table showing the proposed redistribution of costs for the offices of the Ombudsman, the Information and Privacy Commissioner, the Police Complaint Commissioner, and the Merit Commissioner.

In follow-up correspondence, the Director of Corporate Services explained that for budget purposes, the personnel that provide shared services to the four offices are included in the Ombudsman office's payroll and FTE count. However, some of the costs for delivering the shared services are recovered from the other three offices. This shows up as a cost item to those three offices and as an internal recovery item in the Office of the Ombudsman's budget. This reduces the overall budget request for the Ombudsman's office below what it would otherwise be if that office was to bear the full cost of the services. For fiscal year 2009/10, the anticipated recovery to the office is $637,000 (an increase of $303,000 over 2008/09).

The Director of Corporate Services also informed the Finance Committee that the overall cost to the provincial treasury is not affected by the distribution among the offices. Rather, the goal is to reflect the

shared services costs appropriately and fairly. This was felt to be particularly important at this time given the offices' ongoing commitment to continue this cost-saving approach.

Committee Inquiry

The committee inquiry focused on the office caseload and the reallocation of shared-services costs. Members also sought clarification regarding the terminology used to describe complaints.

Office Caseload

Committee members asked the Ombudsman about caseload management, and whether prioritizing particular issues, such as seniors' care, meant that other issues received less attention. The Ombudsman explained that the office attempts to deal with all complaints as effectively and efficiently as possible, and noted that the systemic investigations reduce future complaints around particular issues.

Regarding the increase in open complaint files between 2003 and 2006, some Members inquired if the Ombudsman anticipated a continual increase in the number of files open for longer than one year, and how the office is dealing with this. The Ombudsman agreed with committee members that this trend is a concern, due in part to the backlog of cases she inherited, and that there have been recent attempts to address this through internal reorganization.

On a related matter, the Chair of the Finance Committee asked the Ombudsman whether her office refers people to local constituency offices before opening a file, since constituency assistants handle similar complaints on a daily basis. In her response, the Ombudsman explained that staff does encourage complainants to access other agencies first, as the role of her office is to function as "the last resort" for people who have already pursued other avenues to resolve their individual complaints about administrative unfairness.

Shared Services Cost Distribution

Regarding the proposed reallocation of shared-services costs, the Finance Committee Chair inquired whether the projected $303,000 in internal recoveries (STOB 88) accurately reflects the real costs to the three other independent offices under the new formula. In follow-up correspondence, the Director of Corporate Services confirmed that this was indeed the case. Next year, $153,000 would be charged to the Office of the Information and Privacy Commissioner; $88,000 to the Office of the Police Complaint Commissioner; and $62,000 to the Office of the Merit Commissioner.

Conclusions and Recommendations

In view of the exceptional financial situation, the Finance Committee thinks it is inappropriate to recommend any additional resources for the Office of the Ombudsman above and beyond the mandated increases of 2.5 percent in salaries and benefits year over year.

The Finance Committee recommends that:

- **the annual appropriation for the operating expense of the Office of the Ombudsman be $4,773,000 (including $303,000 in internal recoveries) in each of the next three fiscal years;**
- **the Office of the Ombudsman receive $75,000 for capital expenditures in 2009/10; $1,140,000 in 2010/11; and $75,000 in 2011/12.**

OFFICE OF THE POLICE COMPLAINT COMMISSIONER

"I am requesting only a small increase in funding to maintain the existing staff and enable us to hire one more support staff. The remainder of the increase requested merely reflects anticipated costs for core services." (Dirk Ryneveld, Police Complaint Commissioner)

BACKGROUND

The independent Office of the Police Complaint Commissioner (OPCC) is responsible for overseeing the handling of complaints about municipal police officers, municipal police departments and other law enforcement officers and agencies as prescribed by regulation. The appropriation for the office's operating expense and capital expenditures is provided for in Vote 8 of the annual *Estimates*. Last year, the Finance Committee recommended that the OPCC operating budget be $1.853 million in each of the next three fiscal years, and that its annual capital budget continue to be $25,000.

BUDGET SUBMISSION, FISCAL 2010 - 2012

The Finance Committee met on November 25, 2008 to review the OPCC budget submission for the next three fiscal years. Representing the Office were the Police Complaint Commissioner, Dirk Ryneveld, QC, whose six-year term expires in February 2009; and Lanny Hubbard, Director of Corporate Services.

The Police Complaint Commissioner began his presentation by requesting an increase of $282,000 (or a 15% lift) in next year's operating budget. He explained that this included one additional support staff member, which the Finance Committee had approved last year but the office had delayed in hiring. Instead, the Commissioner had used the monies towards the hiring of an extra investigative analyst. Other increases totalling $163,000 reflected the reallocation of the cost of shared services provided by the Office of the Ombudsman (discussed on pages 15 and 16).

The budget submission contained a request for a capital budget of $25,000 for 2009/10; $400,000 for 2010/11 (a one-time increase related to year 1 of the new lease); and $25,000 for 2011/12.

The Police Complaint Commissioner also reported that there has been no change in the situation from last year in regard to the implementation of the recommendations of the Josiah Wood Report regarding Part 9 of the *Police Act*. He anticipated that four key recommendations would have an impact on the office's budget and if these were translated into legislation, he would provide the Finance Committee with a supplementary budget report and request for additional funding.

First, the adoption of a model of contemporaneous oversight would mean the hiring of more investigative analysts. Second, if implemented, the recommendation to process all complaints, not just complaints that are formally lodged, would double the office's caseload. Third, the implementation of a new computer program to enable the office to have full electronic access to the complaint investigation files of all the police agencies it oversees would require additional financial resources. Fourth, the recommendation that the office conduct research into the frequency and demographics of complaints and identify the development or existence of trends of alleged misconduct would also have a budgetary impact.

COMMITTEE INQUIRY

The committee inquiry focused on the need for additional staff resources and the office's work related to promotion of civilian oversight. Members also asked specific questions regarding: STOB 50 (salaries), STOB

52 (employee benefits), STOB 59 (central management services); STOB 60 (professional services); and STOB 73 (amortization expense).

Staffing Challenge

One theme of the committee inquiry focused on the Police Complaint Commissioner's business decision to hire an additional investigative analyst rather than fill the additional support staff position using the funding approved by the Finance Committee last year. Members were concerned that this decision could turn out to be problematic, if they decided to recommend a "hold-the-line" budget for 2009/10, since hiring someone into a position at a higher salary than approved has now created an overage in this year's operating budget. In response, the Commissioner apologized for the faux pas, adding that it was done with good intention.

In a follow-up question, one committee member suggested that using temporary support staff could be an option the office could consider. The Commissioner reported that temporary staff have been used in the past with some success, but certain confidential tasks were difficult to assign to people hired on this basis.

Promotion of Civilian Oversight

Committee members also inquired about the training of recruits at the Justice Institute and of police officers. The Police Complaint Commissioner reported that the office has taken a more active role in explaining Part 9 of the *Police Act*, by educating new recruits about the concept of civilian oversight. The office has also arranged for Crown counsel from the Ministry of Attorney General to give updates on the law to police officers. In response to a follow-up question, the Commissioner estimated that about 10 percent of staff time is spent on training.

Conclusions and Recommendations

In view of the exceptional financial situation, the Finance Committee thinks it is inappropriate to recommend any additional resources for the Office of the Police Complaint Commissioner above and beyond the mandated increases of 2.5 percent in salaries and benefits year over year.

Once legislative amendments are made to Part 9 of the *Police Act*, we encourage the Police Complaint Commissioner to return to the Finance Committee with an analysis of their budgetary implications.

The Finance Committee recommends that:

- **the annual appropriation for the operating expense of the Office of the Police Complaint Commissioner be increased to $1,974,000 in each of the next three fiscal years;**
- **the Office of the Police Complaint Commissioner receive capital expenditures of $25,000 in 2009/10; $400,000 in 2010/11; and $25,000 in 2011/12.**

OFFICE OF THE REPRESENTATIVE FOR CHILDREN AND YOUTH

"The increase we're asking for is a minimal one. I'm mindful of the fiscal climate, the uncertainties and the important decisions that will have to be made by this Committee and in the budget process." (Mary Ellen Turpel-Lafond, Representative for Children and Youth)

BACKGROUND

The independent Office of the Representative for Children and Youth (ORCY) supports children, youth and families who need help in dealing with the child welfare system, and advocates for changes to the system itself. The appropriation for the office's operating expense and capital expenditures is provided for in Vote 9 of the annual *Estimates*. Last year, the Finance Committee recommended that the ORCY operating budget be $6.558 million in 2008/09 and set at $6.689 million in 2009/10 and $6.832 million in 2010/2011. It proposed a capital budget of $100,000 in 2008/09 and $20,000 for the following two years.

BUDGET SUBMISSION, FISCAL 2009/10 - 2011/12

On December 3, 2008, the Finance Committee met to review the budget submission of the Office of the Representative for Children and Youth for the next three fiscal years. Presenting on behalf of the office were Mary Ellen Turpel-Lafond, the Representative for Children and Youth; Bill Valentine, Deputy Representative for Children and Youth; and Tanis McNally-Dawes, Manager for Finance and Facilities.

The Representative for Children and Youth requested approval for an operating budget of $7.337 million and a capital budget of $130,000 for fiscal year 2009/10. The major components of the proposed $779,000 increase (or a 12% lift) in the operating budget were $357,000 for new building occupancy charges and $112,000 for salary and benefit adjustments. The Representative explained that the office now holds two leases with private landlords, in addition to two Accommodation and Real Estate Services (ARES) leases, since the previous locations did not meet the office's space and privacy requirements.

The budget submission also included a request that the office receive $121,000 for its grants program in each of the next three fiscal years, whereby leading researchers in B.C. universities receive funding to conduct research on the child-serving system.

The Representative for Children and Youth then reviewed her role and the office's mandate. With respect to the main focus of the office's work, vulnerable children who receive designated services, she reported that 52.4 percent of the 9,026 children in care are Aboriginal children, and in some regions the proportion is as high as 75 percent. In addition, there are approximately 4,403 children living in the home of a relative. In terms of the office's advocacy work, between April and October 2008, 867 files were opened and 282 cases are now closed.

COMMITTEE INQUIRY

The committee inquiry focused on the new line item in the proposed budget for 2009/10, building occupancy charges, and on matters related to the office's mandate.

Members also asked specific questions regarding: Salaries of employees (STOB 50); Employee benefits (STOB 52); Centralized management support services (STOB 59); Information systems (STOB 63); Office and business expenses (STOB 65); and Advertising and publications (STOB 67). Other specific questions related to: the grants program; the ORCY website; the release date of the 2008 progress report on the Hughes recommendations; information-sharing with Aboriginal-delegated agencies; and multilingual brochures.

Building Occupancy Charges

Members asked for further information regarding the office's request for $357,000 in building occupancy charges, and inquired whether these costs were already fixed. The Manager of Finance confirmed that five-year private leases for the new offices in Victoria and Burnaby have already been negotiated. The Representative added that the office had to make such an arrangement to accommodate the staff hired last year. She also explained that the private lease for the Victoria office is significantly cheaper than staying with the ARES arrangement, and that the costs of the move can be managed within the existing budget.

In response, the Finance Committee Chair stated that the office needed to seek prior approval before making a firm financial commitment that would impact future budgets, in order to avoid putting committee members in the position of having no choice but to support the increase and preventing them from performing their oversight role. The Representative responded that the business decision to negotiate new leases was appropriate given the office's circumstances, and in line with the autonomy granted to an independent statutory officer.

Office Mandate

Another theme of the committee inquiry focused on the office's mandate relating to advocacy work. Members asked the Representative for Children and Youth what percentage of her office's operations involves children in care, adding that they sometimes receive complaints from parents whose children are in the care of foster parents. The Representative explained that on the advocacy side, a significant amount of the office's work is directed towards children living outside of the parental home. In terms of the office's monitoring role, which is a result of the Hughes report, the safety of children is a central focus.

In response to a follow-up question, the Representative reported that a number of advocacy referrals come from Members' constituency assistants, and that MLAs also contact her staff regarding particular issues.

Finally, Members inquired about the Representative's relationship with the Ministry of Children and Family Development. They learned that the office seeks to promote accountability within the child welfare system so suggests improvements to the ministry to ensure children's safety and well-being.

CONCLUSION AND RECOMMENDATIONS

In view of the exceptional financial situation, the Finance Committee thinks it is inappropriate to recommend any additional resources for the Office of the Representative for Children and Youth above and beyond the mandated increases of 2.5 percent in salaries and benefits year over year, and the building occupancy charges arising from the new leasing arrangements.

The Finance Committee recommends that:

- **the appropriation for the operating expense of the Office of the Representative for Children and Youth be increased to $7,027,000 in 2009/10;**
- **the Office's annual operating budget be set at $7,027,000 in 2010/11 and in 2011/12 for financial planning purposes;**
- **the Office receive capital expenditures of $130,000 in 2009/10 and then $30,000 in each of the next two fiscal years.**

CONCLUDING COMMENTS

This year's review of the budgets of the eight independent offices of the Legislative Assembly has taken place in extraordinary financial times throughout the world. While committee members serving on the Finance Committee cannot predict how these circumstances will unfold over the next year or two, we have every confidence that the professionalism, resourcefulness and commitment of each statutory officer and their staff will enable them to provide cost-effective delivery of their mandates, particularly in these very troubling and challenging fiscal times.

Given the resource constraints the Province is facing as a result of the economic downturn, the Finance Committee believes all organizations in the public sector are going to be asked next year to look internally and more closely as to how best to manage within their existing budgets — whether government entities or the Legislative Assembly and its independent offices. With this in mind, we have adopted a cautious and prudent approach in our review of the budgets submitted by the eight independent offices of the Legislative Assembly. Since we believe that in a time of fiscal uncertainty the public expects us to exercise restraint in authorizing future spending of taxpayers' money, we have looked at each budget submission with the following question in mind: how can we hold the line here?

Striving for consistency, the Finance Committee is recommending that increases in the offices' budgets for office operations next year be limited to non-discretionary increases in salaries and benefits for statutory officers and their staff, except for the special case of the Office of the Merit Commissioner. In the case of capital budgets, consistency has been harder to achieve since four offices will require a significant lift in 2010/11 to finance tenant improvement costs when they move into the joint leasehold accommodation. As well, the replacement of the electoral information system will require significant capital expenditures for Elections BC.

This fall, the Finance Committee has been asked to approve an unprecedented number of new leasing arrangements that have budgetary implications in future years. In the case of the four offices that share services and office space, we had the opportunity to review their joint leasehold accommodation proposal prior to a formal agreement being finalized. We suggest that this process be followed in the future in order to enable the Finance Committee to exercise due diligence in regard to recommending additional resources for both operating expenses and capital expenditures.

Finally, the Finance Committee has been struck again this year by the inconsistency in the format of the budget submissions and, in some cases, the lack of clarity regarding existing and future budgets. Therefore, as a legacy to legislators in the next parliament, we approved the following motion at the December 8 committee meeting: "Resolved, that each legislative office work with the Clerk Assistant and Clerk of Committees to standardize its budget submission to achieve clarity, consistency and continuity."

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